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TAGS: [PGOV](#) [PREL](#) [PINR](#) [PM](#) [SP](#) [CH](#) [TW](#) [HO](#)
SUBJECT: PANAMA -- CHINA RECOGNITION HANDWRITING IS ON THE
WALL

REF: A. TAIPEI 0427

[1](#)B. 05 PANAMA 1948
[1](#)C. STATE 25012

Classified By: DEPUTY CHIEF OF MISSION LUIS ARREAGA FOR REASONS
1.4 (B) AND (D).

ACTION REQUEST

[1](#)1. (U) This message contains an action request. (See para
3.)

SUMMARY

[1](#)2. (S/NF) Panamanian presidential advisor Jorge Ritter on
February 20 detailed Panama's thinking about diplomatic
recognition of the People's Republic of China (PRC) for DCM,
which he called a "medium-term" prospect. Ritter's comments
followed news reports of the "secret" China-Panama talks in
Madrid last week. Although the Panamanian government (GOP)
believes its long-term interests lie with the PRC, Ritter
said, it has no desire to jettison Taiwan right away or to
upset its relations with the United States. Ritter strongly
implied that recognition could have to wait at least until
June 2007 for Congressional action on the still unsigned
U.S.-Panama Free Trade and an as-yet-to-be-announced
Panamanian referendum on Canal widening (possibly sometime in
2006). POL Counselor also got similar information last week
from Taiwan Ambassador Hu and former ambassador to the U.S.
Eloy Alfaro. End Summary.

Action Request

[1](#)3. (S/NF) Ritter explained that the GOP prefers not to act
on the basis of suppositions of how the USG may or may not
react to Panama's plans for PRC recognition and requested an
opportunity to share views. Embassy notes Reftel C talking
points for use with the Zelaya government (State
25012--Honduran Relations with PRC/Taipei) also could be used
in Panama with the Torrijos government. Embassy requests
Department's guidance on the use of Reftel C talking points.

FM Lewis Was In Madrid: The (China) News

[1](#)4. (S/NF) A February 19 China News (Taiwan) story
(summarized in the February 21 edition of La Prensa Panama's

leading daily) reported that PRC-Panama talks were held in Madrid. Embassy has confirmed that Vice President/Foreign Minister Samuel Lewis headed the GOP delegation, as the story asserts. On February 20, Panamanian presidential advisor Jorge Ritter confirmed with DCM that he had taken part in the Madrid talks. The PRC counterpart was an unnamed Deputy Foreign Minister with "about 10 years experience in the U.S."

Panama Cannot "Ignore" China

¶5. (S/NF) Ritter made the following points:

- Panama views PRC recognition as a "medium-term" project.
- The GOP has no desire to jettison its relations with Taiwan right away or to upset its relations with the United States.
- Panama does not want ill-considered or over-hasty actions to derail FTA negotiations with the U.S. or its planned Canal referendum.
- Panama cannot ignore the PRC's growing commercial importance and believes its long-term interest lies with having diplomatic relations with the PRC.

Meeting With Taiwan Ambassador Hu

¶6. (S/NF) In a February 16 meeting, Taiwan Ambassador (Toms) Ping-fu Hu confirmed that a PRC-Panama meeting had taken place in Madrid during February 14-15 as reported Reftel A. The Panamanian participants included Leonardo Kam (Panama's Commercial Representative in Beijing), Jimmy Arias, and Jorge Ritter, a former foreign minister under Manual Noriega. (Hu failed to identify VP/FM Samuel Lewis as

leading the GOP delegation.) The PRC side included eight officials -- a deputy minister foreign affairs, an agriculture ministry official, and six others, Hu said.

Bio Note

¶7. (C/NF) Ritter is an "informal" (unpaid) advisor and speechwriter to President Torrijos. Arias, who owns a home in Madrid, is a wealthy upper-class lawyer and a newcomer to the Torrijos inner-circle. The youngest brother of Ricardo Arias Calderon (who was vice president in 1990-91 following Operation Just Cause, a founder of the Christian Democratic party, and an anti-military activist, now a Torrijos confidant), Arias's growing influence with Torrijos has been noted with disdain by PRD "regulars." Ambassador Hu was formerly ambassador to El Salvador and has a daughter who was born in Panama in the 1980s.

Taiwan Panama Relations "Still On Hold"

¶8. (S/NF) Hu confirmed that despite the apparent "positive" signals of last September (Reftel B: 04 Panama 1948--Panama Turning Toward Taiwan), Taiwan's relationship with Panama still is on hold. "Normal development aid" is frozen and, contrary to expectation, no budget information has been exchanged for planning purposes, Hu said, although Taiwan's 15 development volunteers continue to work in the Panamanian countryside as before. Hu said he has met with President Torrijos rarely but more frequently with Vice President/Foreign Minister Lewis. Hu typically meets Lewis at his private office, to avoid the "prying" eyes of foreign ministry functionaries, particularly Daro Chir. Chir opened Panama's commercial development office in Beijing some years ago and is known to favor the PRC over Taiwan, Hu said.

Is Money No Object?

¶9. (S/NF) The February 14-15 Madrid meeting continued negotiations about Panamanian diplomatic recognition of the PRC, which had ended unsuccessfully last summer, Hu explained. For the Panamanians, it is a matter of money, Hu claimed. Hu said the current offer before the Panamanians is

a \$150 million in development assistance, investments (such as a former Howard air base), and purchase of agricultural exports (principally bananas). Hu confirmed that many in the ruling Democratic Revolutionary Party (PRD) favor a switch to China.

"Boosting Democracy"

¶10. (S/NF) Hu covered familiar ground, asserting that Taiwan and the United States share interests in "fighting communism," boosting democracy, and minimizing Chinese influence in the Western hemisphere. He also alleged that the PRC is eager to become involved in Panama's upcoming Canal expansion project and wants to use equipment left over from Three Gorges Dam construction. Taiwan's "democratic example" and its "efforts to reduce poverty" in Central America are important to advancing democracy in the region, he said.

Finding the Right Moment

¶11. (S/NF) Hu said that the "results" of the February 14-15 meeting might not be known for at least six months. Even then, the Panamanian government could well conclude that the moment for a dramatic switch in relations is not favorable, given that bilateral negotiations for a U.S.-Panama Free Trade Agreement may produce a text that the Congress will have to consider before trade negotiating authority expires in June 2007.

China Winds Are "Less Strong"

¶12. (S/NF) In a February 17 meeting, former Panamanian ambassador to the United States Eloy Alfaro told POL Counselor that he believes that the Panamanian winds blowing in favor of China recognition are less strong than they were a year or six months ago. Alfaro said the earlier discussions he heard were couched in principle, revolving around Panama being seen as a "serious" country, not how to extract maximum benefits from both sides. Alfaro said "certainly nothing will happen before the Canal referendum" (possibly will be held in 2006) or before the U.S. Congress decides one way or the other on the still-unsigned FTA, possibly by June 2007.

Consensus Still Elusive

¶13. (S/NF) For the foreseeable future, Taiwan's relations with Panama seem to be stuck in limbo, but a consensus for changing Panama's diplomatic representation to favor the PRC has not gathered momentum, Alfaro said. (Note: Alfaro also is a member of Panama's foreign affairs advisory council and the Panama Canal Authority (ACP) board, End Note.)

Comment

¶14. (S/NF) After meetings between FM Lewis and Secretary Rice and Presidents Bush and Torrijos, at which the "China question" was raised, it is somewhat curious that the GOP wants to hear the U.S. position spelled out once again. A Panamanian wish not to be seen as "rocking the boat" is at play here, and political nervousness at undertaking a major departure from Panamanian diplomatic tradition. Taiwan by all accounts considers Panama (see RefTel A), along with the Holy See, to be its principal remaining diplomatic relationship, and fears that a Panamanian switch could unleash a "domino effect" in Central America and the Caribbean, which could leave it all but bereft of international diplomatic links.

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